

Al Madina for Finance and Investment Company – K.S.C.P.
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2016



Al Madina for Finance and Investment Company - K.S.C.P.
And its subsidiaries
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For the year ended 31 December 2016

Contents **Page**

Independent Auditors' Report	1-4
Consolidated Statement of Financial Position	5
Consolidated Statement of Income	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 28

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait
Tel: + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

Al-ATEEQI
CERTIFIED ACCOUNTANTS

P.O. Box : 636, Safat - 13007 Kuwait
Tel : + 965 - 22412880 / 22410885
Fax: + 965 - 22454248
Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
E-Mail: alateeqi@ateeqicpas.com
Website: www.ateeqicpas.com

Independent Auditors' Report to the Shareholders

Al Madina for Finance and Investment Company – K.S.C.P.

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Madina for Finance and Investment Company - K.S.C.P. (the Parent Company) and its subsidiaries, (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters identified and how we addressed them in our audit.

Impairment of receivables and other debit balances

As at 31 December 2016, receivables and other debit balances amounting to KD 7,382,104, which represents 19% of the total assets. The disclosures related to receivables and other debit balances are given in notes 2.3.2, 4 and 7 to the consolidated financial statements.

The determination of impairment in receivables and other debit balances requires management to take the appropriate decision on estimating the amounts and timing of future cash flows. This requires management to make assumptions about several factors involving varying degrees of judgment and uncertainty.

The Group's management prepared a study to identify receivables and other debit balances that are impaired, taking into consideration the aging of receivables, future cash flows for each customer and the available collaterals.

Our audit procedures included the identification of policies and procedures adopted by the management to record the impairment of receivables and other debit balances, taking into consideration the customer's repayment ability, aging of the receivables, collaterals obtained by the customers to secure the payment of their receivables as well as opinion of the legal department. We assessed the applied control procedures to ensure effective control over receivables assessment. We also tested a sample of receivables and other debit balances, whether identified by the management as impaired, or not identified to be impaired to assess that the management's estimates regarding impairment are reasonable.

Independent Auditors' Report to the Shareholders (continued)

Al Madina for Finance and Investment Company – K.S.C.P.

State of Kuwait

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of investments in associates

As at 31 December 2016, investments in associates are carried at KD 21,946,282, which represents 57% of the total assets. The disclosures related to investments in associates are included in notes 2.3.1, 4 and 9 to the consolidated financial statements. The impairment test is performed to determine the impairment of the total carrying value of each investment in associate, separately, including goodwill, subject to certain judgments based on a number of assumptions. Therefore, we identified this matter as a key audit matter.

Our audit procedures included an assessment of the management's treatment of indications for impairment of investments in associate. In doing so, we assessed whether there are any adverse significant changes in technological, market, economic or legal environment in which the investee company operates, or structural changes in the investee's industry, or change in political or legal environment that may have impact on the investee's operations, in addition to the investee's financial situation. Also we tested the procedures performed by management to determine the recoverable amount of the investments in associates as required by the related International Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditors' report thereon. The annual report for the year 2016 is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report to the Shareholders (continued)

Al Madina for Finance and Investment Company – K.S.C.P.

State of Kuwait

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report to the Shareholders (continued)

Al Madina for Finance and Investment Company – K.S.C.P.

State of Kuwait

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2016, that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2016, that might have had a material effect on the business of the Group or on its consolidated financial position, except as disclosed in note (12) to these consolidated financial statements which indicate that the Group has obtained Wakala payables from Investment Funds, which is in violation of the instructions of Central Bank of Kuwait.

Talal Yousef Al-Muzaini
License No. 209A
Deloitte & Touche, Al Wazzan & Co.

Barrak Al-Ateeqi
License No. 69 A
Independent Member of B.K.R. International

Kuwait, 4 April 2017

Al Madina for Finance and Investment Company - K.S.C.P.
And its subsidiaries
State of Kuwait

Consolidated Statement of Financial Position as at 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
Assets			
Cash and cash equivalents	5	4,190,646	932,456
Investments at fair value through profit or loss	6	1,377,041	1,561,831
Receivables and other debit balances	7	7,382,104	4,420,384
Investment properties	8	1,231,000	5,451,000
Investments in associates	9	21,946,282	24,508,338
Available for sale investments	10	2,130,270	2,930,474
Property and equipment		110,804	129,809
Total assets		38,368,147	39,934,292
Liabilities and equity			
Liabilities			
Payables and other credit balances	11	4,019,183	7,034,559
Wakala payable	12	2,522,653	2,522,653
Employees' end of service indemnity		165,786	163,938
Total liabilities		6,707,622	9,721,150
Equity			
Share capital	13	40,706,523	40,706,523
Share premium		4,552,924	4,552,924
Treasury shares	14	(2,694,680)	(2,694,680)
Other reserves	16	875,704	257,820
Accumulated losses		(20,988,376)	(22,390,166)
Total equity attributable to shareholders of the Parent Company		22,452,095	20,432,421
Non-controlling interests	17	9,208,430	9,780,721
Total equity		31,660,525	30,213,142
Total liabilities and equity		38,368,147	39,934,292

The accompanying notes form an integral part of these consolidated financial statements.

Mohammad Darwesh Al-Shamali
Chairman

Abdulra'ouf Tawfeeq
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
Revenues			
Net reversal/ (provided) provisions and impairment	18	1,151,126	(9,720,033)
Gains from settlement of Wakala and payables	19	2,302,352	8,123,561
(Losses)/ gains from investments	20	(186,805)	2,870,135
Losses from investments in associates	21	(531,559)	(3,627,837)
Other income and consultancy services income		237,673	249,179
		2,972,787	(2,104,995)
Expenses and other charges			
Net real estate losses	22	363,350	679,389
Other expenses	23	1,792,793	2,095,372
		2,156,143	2,774,761
Net profit / (loss) for the year before deductions		816,644	(4,879,756)
National Labour Support Tax		(24,285)	-
Zakat		(9,714)	-
Net profit / (loss) for the year		782,645	(4,879,756)
Attributable to:			
Shareholders of the Parent Company		1,401,790	(4,809,398)
Non-controlling interests		(619,145)	(70,358)
		782,645	(4,879,756)
Earnings / (loss) per share (fils)	24	3.60	(12.37)

The accompanying notes form an integral part of these consolidated financial statements.

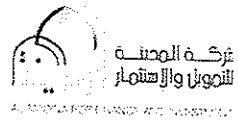
Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	2016	2015
Net profit / (loss) for the year	782,645	(4,879,756)
Other comprehensive income items:		
Items that may be reclassified subsequently to statement of income:		
Investments in associates		
Group's share in associates' other comprehensive income items	127,455	1,564,974
Transferred to statement of income from sale of shares in associates	254,578	-
	382,033	1,564,974
Available for sale investments		
Change in fair value	282,705	(440,589)
Transferred to statement of income from sale of investments	-	221,289
Transferred to statement of income from impairment	-	219,300
	282,705	-
Total other comprehensive income items	664,738	1,564,974
Total comprehensive income / (losses) for the year	1,447,383	(3,314,782)
Attributable to:		
Shareholders of the Parent Company	2,019,674	(3,395,841)
Non-controlling interests	(572,291)	81,059
Total comprehensive income / (losses) for the year	1,447,383	(3,314,782)

The accompanying notes form an integral part of these consolidated financial statements.

Al Madina for Finance and Investment Company - K.S.C.P.
And its subsidiaries
State of Kuwait



Consolidated Statement of Changes in Equity for the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company							
	Share capital	Share premium	Treasury shares	Other reserves (note 16)	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	40,706,523	4,584,998	(2,694,680)	(1,155,737)	(13,979,090)	27,462,014	9,703,300	37,165,314
Net loss for the year	-	-	-	-	(4,809,398)	(4,809,398)	(70,358)	(4,879,756)
Other comprehensive income items	-	-	-	1,413,557	-	1,413,557	151,417	1,564,974
Loss from sale treasury shares	-	(32,074)	-	-	-	(32,074)	-	(32,074)
Change in non-controlling interests	-	-	-	-	-	-	(3,638)	(3,638)
Group's share in changes of an associate's equity	-	-	-	-	(3,601,678)	(3,601,678)	-	(3,601,678)
Balance at 31 December 2015	40,706,523	4,552,924	(2,694,680)	257,820	(22,390,166)	20,432,421	9,780,721	30,213,142
Balance at 1 January 2016	40,706,523	4,552,924	(2,694,680)	257,820	(22,390,166)	20,432,421	9,780,721	30,213,142
Net profit for the year	-	-	-	-	1,401,790	1,401,790	(619,145)	782,645
Other comprehensive income items	-	-	-	617,884	-	617,884	46,854	664,738
Balance at 31 December 2016	40,706,523	4,552,924	(2,694,680)	875,704	(20,988,376)	22,452,095	9,208,430	31,660,525

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Note	2016	2015
Cash flows from operating activities			
Net profit/ (loss) for the year		782,645	(4,879,756)
Adjustments:			
Net (reversal)/ provided provisions and impairment		(1,151,126)	9,720,033
Gains from settlement of Wakala and payables		(2,302,352)	(8,123,561)
Losses/ (gains) from investments		186,805	(2,870,135)
Losses from investments in associates		531,559	3,627,837
Net losses from real estates		430,000	1,133,650
Gains on sale of property and equipment		-	(9,742)
Gains from sale of subsidiary		-	(2,408)
Depreciation and amortization		24,087	39,789
Employees' end of service indemnity		1,848	20,156
Losses of operations before changing in the operating assets and liabilities		(1,496,534)	(1,344,137)
Investments at fair value through profit or loss		(111,399)	23,456
Receivables and other debit balances		(539,201)	(1,288,111)
Payables and other credit balances		(3,204,715)	(2,600,449)
Net cash used in operating activities		(5,351,849)	(5,209,241)
Cash flows from investing activities			
Cash paid for acquisition of investments in associates		(837,986)	(44,087)
Dividends income received		20	2,721
Proceeds from selling of investments in associates		4,766,645	45,614
Paid for purchase of available for sale investments		(1,468,455)	(12,980,268)
Proceeds from selling of available for sale investments		2,404,897	13,799,922
Cash generated from disposal of subsidiaries		-	(4,102)
Paid for purchase of investment properties		-	(93,346)
Proceeds from sale of investment properties		3,750,000	2,800,000
Net paid for purchase of property and equipment		(5,082)	(15,908)
Net cash generated from investing activities		8,610,039	3,510,546
Cash flows from financing activities			
Net purchase of treasury shares		-	(32,074)
Change in non-controlling interests		-	(3,638)
Net cash used in financing activities		-	(35,712)
Net increase/ (decrease) in cash and cash equivalents		3,258,190	(1,734,407)
Cash and cash equivalents at the beginning of the year		932,456	2,666,863
Cash and cash equivalents at the end of the year	5	4,190,646	932,456

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation of the Group

Al Madina for Finance and Investment Company (the Parent Company) is a Public Kuwaiti Shareholding Company incorporated in Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Company were listed on Kuwait Stock Exchange in 24 April 2006.

The register office of Parent Company's is at Al-Soor Street - Al-Mirqab - Kuwait.

The Parent Company is engaged principally in all investing activities, finance and management of funds and rights. Trading and leasing of lands and real estate.

The activities of the Parent Company are carried out in accordance with Noble Islamic Sharia principles.

On 1 February 2016, the new Companies Law no. 1/2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new Law, the Companies Law No. 25 of 2012 and its amendments have been cancelled. The new Executive Regulations of Law No. 1 of 2016 were issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulation of Law No. 25 of 2012. Companies have six months from that date to comply Law No 1 of 2016.

The General Assembly of the Shareholders held on 1 June 2016 and approved the consolidated financial statements for the year ended 31 December 2015. The General Assembly of the shareholders have the authority to amend these consolidated financial statements after issuance.

The consolidated financial statements were authorized for issuance by the Board of Directors on 4 April 2017.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the state of Kuwait for financial institution regulated by the Central Bank of Kuwait and Capital Market Authority on the historical cost basis except for certain investment properties and financial instruments that are re-measured at fair values, as explained in the accounting policies below.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has had no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: Bearer Plants
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

2.2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 16 *Leases*

  IFRS 16 was issued on January 2016 with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. The effective date of these amendments are deferred indefinitely.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and 15, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of IFRS 9 and 15 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities.

2.3 Significant accounting policies

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in statement of income and is calculated as the difference between:

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts of interests that have previously been recognised in the statement of comprehensive income, before the date of acquisition, are reclassified to statement of income had the interest been fully disposed off.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of this arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results of business, assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and any other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, (including any long-term interests represent a part of the Group's net investment in an associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Upon acquisition of an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate or a joint ventures. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income.

Requirements of IAS 39 are applied to determine whether it is necessary to recognize the impairment losses of the associates or joint ventures. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the requirements of IAS No. (36) "Impairment of Assets".

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associates or joint ventures are disposed only to the extent of interests in the associate or joint venture.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

All financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted on initial recognition. Transaction costs directly attributable to the acquisition are recognized immediately in the statement of income.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL on acquisition.

Financial assets at FVTPL are stated at its fair value. The net gains or losses are recognized in the consolidated statement of income and incorporates any dividend or interest earned on the financial asset and recognized in the line of "gains or losses from investments". Fair value is determined in the manner described in note 3.2.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including Islamic debt instruments, other receivables, and cash and cash equivalents) are measured at amortised cost using the effective interest method less any impairment losses.

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.2.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss is reclassified to the consolidated statement of income.

AFS unquoted equity investments and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

A provision for impairment in value is made to address the threat of credit related to receivables when there is an objective for the Group that it cannot collect all amounts owed to them. The amount of the provision is the difference between the book value and recoverable amount of the asset which is determined based on the current value for the cash flows, taking into consideration the exclusion of the recoverable amounts of the guarantees and collaterals discounted based on the rate of return. The provision is recognized in the consolidated statement of income.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to statement of income in the period.

For financial instruments measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in statement of income are not reversed through statement of income. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated statement of income.

Financial liabilities

Financial liabilities (including Wakala payables, trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of income.

2.3.3 Investment properties

Investment properties are properties held to earn rentals and / or capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss arising on disposal of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income for the period in which they arise.

2.3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals of properties and equipment are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

2.3.5 Impairment of tangible and intangible assets other than goodwill

The Group reviews the carrying amount of its tangible and intangible assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets, that do not have a definite useful life, and intangible assets, which are not yet utilized, are tested at least annually to determine the impairment loss.

The net recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognized in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.6 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.7 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.8 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.9 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the consolidated statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated financial Position presented are translated at the closing rate at the date of that consolidated statement of income.
- Income and expenses for consolidated statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

2.3.10 Revenues recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances or deductions.

- Revenues from sale of inventory are stated only when the risks and benefits associated with the inventory ownership are transferred to the purchaser. These risks and benefits are transferred to the purchaser, on delivery.
- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the right to receive payment has been established.
- Deposits interests are recognized on a time basis.

2.3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.3.12 Zakat

The Parent Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

2.3.13 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

3. Financial risk management

3.1 Financial risk factors

The activities of the Group expose it to a Group of financial risks, which are market risks, which include (foreign currency risks and risks of fair value resulting from the changes in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The Group is managing these financial risks through concentrating in continues evaluation of the market conditions and trends as well as the management's assessment for long and short-term market factors change.

(A) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions take place on assets or liabilities recognized in the Group's consolidated financial statements which are denominated in a foreign currency.

The Group has set up policies to manage its foreign exchange risk against their functional currency, through diversifying its investments geographically and financing its investments in foreign currency through borrowing denominated in the same currency. In general, the Group concentrates its investments in Kuwait Dinar to avoid the fluctuation in foreign currency rates.

The Group is mainly exposed to foreign currency risk as a result of gain or losses from translated assets and liabilities denominated in foreign currencies, such as cash and cash equivalents and investments. As at the consolidated financial statements date there are no monetary instruments which are denominated in foreign currencies.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position as investments fair value through profit or loss and available for sale investments. To manage this risk, the Group diversifies its portfolio, studying the market conditions and study the investment opportunities before engaged in it within the Group's strategy. These policies are carried out by the regulatory that are authorized by the Board of Directors. Most of the Group investments are in quoted and unquoted securities and funds.

The table below summarizes the impact on work results and equity with the assumption that KSE index had decreased by 5% with all other variables held constant.

	2016	2015
Effect on net profit	70,344	16,043
Effect on change on fair value reserve	118,961	186,995

(iii) ***Interest Rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to interest rate risk as the group works under Islamic Sharia. Returns from Murabaha and Wakala investments and costs of Murabaha and Wakala payables are allocated based on the effective yield method.

The Group does not calculate finance costs (note 12).

(B) Credit risk

The credit risk is the risk that the Group will incur a loss as a result from its customers, clients or counterparties failure to discharges their contractual obligations against the Group. Assets which are exposed to credit risk are cash and cash equivalents, Wakala and Murabaha receivables, receivables on sale of properties and due from related parties.

For cash and cash equivalent the Group manages this risk by dealing with high credit reputation institutes.

For receivables and other debit balances, the Group manages this risk by assessing the customer's credit quality taking into consideration their financial position, past experience and reputation. Furthermore, the Group keeps the ownership of the sold assets until settling the outstanding installments or obtaining other collaterals.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position without taking into consideration the collaterals:

	2016	2015
Cash at banks and financial institutions	4,180,068	930,868
Receivables from selling real estate	2,190,555	3,272,409
Due from related parties	4,894,702	358,191

(C) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The liquidity risk requires the Group to keep sufficient cash and investments balances in addition to the availability of funding sources needed by agreeing on the credit facility to secure the necessary liquidity for the group and monitor cash flow periodically.

(D) Capital risk management

The Group manages its capital to make sure that the Group will be able to continue as a going on concern in addition to provide the maximum rate of return for shareholders through the optimal use of equity.

The capital structure of the Group consists of net debt (wakala payables less cash and cash equivalents) and equity of the Group (comprising share capital, reserves, accumulated losses and non-controlling interests).

The gearing ratio as at 31 December is as follows:

	2016	2015
Total finance	2,522,653	2,522,653
(Less) cash and cash equivalents	(4,190,646)	(932,456)
Net debt	(1,667,993)	1,590,197
Total equity	31,660,525	30,213,142
Total capital	29,992,532	31,803,339
Gearing ratio (%)	-	5.00

3.2 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets and liabilities are determined:

	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2016	2015				
Fair value through profit or loss						
Local quoted shares	936,038	449,654	Level 1	Last bid price	-	-
Local funds units	355,475	911,218	Level 2	NAV	-	-
Local unquoted shares	85,528	200,959	Level 3	Discounted cash flows	Discount Rate of 8%	The higher the discount rate, the lower the value
Available for sale investments:						
Local quoted shares	2,130,270	2,930,474	Level 1	Last bid price	-	-

The fair value of other financial assets and liabilities approximate their carrying amounts as at the consolidated financial statements date.

The fair value of these other financial assets and liabilities are determined according to the third level based on the management's estimations of expected cash flows. During the year, there is no transfer between valuation levels.

4. Critical accounting judgments and estimates

In the application of the Group's accounting policies, the management are required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

Critical judgments

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the assets recognised in the consolidated financial statements:

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at acquisition, when their fair values can be reliably estimated. All other investments are classified as "available for sale".

Classification of properties

Management decides on acquisition of properties whether it should be classified as held for trading or investment property.

The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Practicing significant influence

Although the Group's share in the Ekttiab Holding Company and Hits Telecom decreased less than 20%, but the Group exercised influence on these companies by having a significant influence on the financial and operating policies of the two companies, by acting directly and indirectly on the boards of these companies.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainity at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in notes (3.2 and 8).

Evidence of impairment of investments

Management determines the impairment in investments available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The impact of such impairment on these consolidated financial statements has been disclosed in note (18).

Impairment of associates

An estimation for impairment losses of associate is made when there is an indication for such impairment. Determination of the impairment is made for the full book value of the Group's investment in associate including goodwill and therefore, the impairment of goodwill is not separately determined. The impact of such impairment on these consolidated financial statements has been disclosed in note (18).

Impairment of receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period exceeding the average credit period, change in global and local economies which led the customers to default in payment. The impact of such impairment on these consolidated financial statements has been disclosed in note (18).

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment. The impact of such impairment on these consolidated financial statements has been disclosed in notes (18 and 28).

5. Cash and cash equivalents

	2016	2015
Current accounts at banks	3,413,292	732,334
Cash at portfolios and Kuwait Clearing company	766,776	198,534
Cash on hand	10,578	1,588
	4,190,646	932,456

6. Investments at fair value through profit or loss

	2016	2015
Held for trading investments	936,038	449,654
Investments at fair value through profit or loss	441,003	1,112,177
	1,377,041	1,561,831
Investments in local shares – quoted	936,038	449,654
Investments in local shares – unquoted	85,528	200,959
Investments in local funds – unquoted	355,475	911,218
	1,377,041	1,561,831

Investments have been valuated based on the valuation techniques as described in note (3.2).

7. Receivables and other debit balances

	2016	2015
Receivables from selling real estate	2,190,555	3,272,409
Deferred revenue	(76,306)	(162,131)
	2,114,249	3,110,278
Due from related parties (note 26)	4,894,702	358,191
Cash restricted against letter of guarantee	70,905	287,022
Accrued income	107,532	105,368
Accrued rents	491,210	491,210
Other debit balances	1,139,366	1,584,342
	8,817,964	5,936,411
Less: provision for doubtful debts	(1,435,860)	(1,516,027)
	7,382,104	4,420,384

7.1 Receivables from selling real estate represent the remaining balance due from selling developed properties. The ownership of these properties will be transferred upon the payment of all the remaining balances. These properties are registered in the name of related party and there is letter of assignment in favor of the Group.

7.2 Following are the aging analysis of receivables and other debit balances:

	2016			
	Receivables from selling real estate	Due from related parties	Accrued income and other debit balances	Total
Not matured	1,039,068	4,894,702	961,194	6,894,964
Matured and not impaired	563,446	-	-	563,446
Matured and impaired	588,041	-	847,819	1,435,860
	2,190,555	4,894,702	1,809,013	8,894,270

	2015			
	Receivables from selling real estate	Due from related parties	Accrued income and other debit balances	Total
Not matured	1,982,092	-	1,725,278	3,707,370
Matured and not impaired	516,954	358,191	-	875,145
Matured and impaired	773,363	-	742,664	1,516,027
	3,272,409	358,191	2,467,942	6,098,542

7.3 Following are the aging of matured and not impaired receivables:

	2016	2015
Due from 3 to 6 months	155,947	598,446
Due from 6 to 12 months	291,185	215,559
More than one year	116,314	61,140
	563,446	875,145

7.4 The movement on the provision during the year is as follows:

	2016	2015
Balance as at 1 January	1,516,027	1,731,796
Net reversal during the year	(80,167)	(215,769)
Balance as at 31 December	1,435,860	1,516,027

8. Investment properties

The movement on investment properties during the year was as follows:

	2016	2015
Balance at beginning of the year	5,451,000	27,857,525
Effect from acquisition of a subsidiary	-	3,912,651
Additions	-	93,346
Disposals	(4,022,000)	(26,319,522)
Change in fair value	(198,000)	(93,000)
Balance at end of the year	1,231,000	5,451,000

8.1 The fair value of the Group's investment properties has been determined as at the financial statements date on the basis of a valuation carried out on the respective date by independent valuers not related to the Group. These valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties (level 2). In estimating the fair value of the properties, best use of the properties is their current use.

8.2 There is no change in fair value determining as well as there is no transferring between the level of fair value during the year.

8.3 Investment properties is recorded in the name of related parties, and there are letters of assignment in favor of the Group.

9. Investments in associates

	Ownership percentage (%)	2016	Ownership percentage (%)	2015
Sarh Capital Real Estate (K.S.C Closed)	41.63	13,813,053	41.63	14,695,591
Hits Telecom Holding Company (K.S.C.P)	17.66	6,263,283	29.26	8,079,612
Ekttitab Holding Company (K.S.C.P)	16.08	1,869,946	16.48	1,733,135
		21,946,282		24,508,338

9.1 Investments in associates are accounted using equity method based on latest available financial statements.

9.2 Investments in associates include a goodwill of KD 422,742 as at 31 December 2016 and 2015.

9.3 Ekttitab Holding Company and Hits Telecom Holding Company shares are listed on Kuwait Stock Exchange. Based on the published quoted market value of the Group's investments' share in these two companies amounted to KD 1,869,946 and KD 6,263,283 respectively as at 31 December 2016 (KD 1,575,577 and KD 7,215,148 – 2015).

9.4 A part of these investments in associates amounted to KD 548,082 as at 31 December 2016 (KD 426,631 as at 31 December 2015) is pledged against one of the Group's creditors.

9.5 The following is summarized financial information related to the associates. The summarized financial information set out below represents the amounts shown in the latest financial statements available for these companies prepared as per IFRS:

Sarh Capital Real Estate Company:

	Financial statements for the year ended 31 December	
Available financial statements	**2016**	**2015**
Current assets	2,544,663	2,631,377
Non-current assets	35,014,538	37,822,543
Current liabilities	5,395,187	6,170,016
Revenue	810,220	177,339
(Loss)/ income for the year	(2,418,427)	76,934
Other comprehensive income for the year	298,542	1,056,596
Total comprehensive (loss)/ income for the year	(2,119,885)	1,133,530

The following is reconciliation of the above summarized financial information to determine the carrying value of the Group's share in the company recorded in these consolidated financial statements:

	2016	**2015**
Net assets of the associate	32,164,014	34,283,904
Group's share in net assets	13,390,311	14,272,849
Other adjustments	422,742	422,742
Carrying amount of Group's interest	13,813,053	14,695,591

Other adjustments represents the goodwill.

Hits Telecom Holding Company:

Available financial information	Financial information for the nine month period ended 30 September 2016	Financial statements for the year ended 31 December 2015
Current assets	56,408,772	59,285,235
Non-current assets	15,026,797	17,442,176
Current liabilities	7,088,989	12,643,538
Non-current liabilities	691,164	1,064,176
Revenue	71,175,540	80,350,036
Profit /(loss) for the period/ year	588,031	(5,864,920)
Other comprehensive (loss) / income for the period/ year	(185,416)	517,228
Total comprehensive income / (loss) for the period/ year	402,615	(5,347,692)

The following is reconciliation of the above summarized financial information to determine the carrying value of the Group's share in the company carried in the consolidated financial statements:

	2016	2015
Net assets of the associate	63,655,416	63,019,697
Group's share in net assets	11,221,310	18,394,571
Other adjustments	(4,958,027)	(10,314,959)
Carrying amount of Group's interest	6,263,283	8,079,612

Other adjustments represents impairment in value.

Ekttitab Holding Company:

Available financial information	Financial statements for the year ended 31 December 2016	2015
Assets	22,989,381	23,303,466
Liabilities	671,078	689,866
Non-controlling interests	6,530	(47,242)
Losses	(508,170)	(2,875,605)
Loss for the year	(922,858)	(3,398,509)
Other comprehensive income/ (loss) for the year	573,789	(1,624,134)
Total comprehensive loss for the year	(349,069)	(5,022,643)

The following is reconciliation of the above summarized financial information to determine the carrying value of the Group's share in the company recorded in the consolidated financial statements:

	2016	2015
Net assets of the associate	22,311,773	22,660,842
Group's share in net assets	3,587,495	3,735,216
Other adjustments	(1,717,549)	(2,002,081)
Carrying amount of Group's interest	1,869,946	1,733,135

Other adjustments represents impairment in value.

10. Available for sale investments

Available for sale investments represents local quoted shares which were evaluated based on latest bid price as at financial statements date.

Notes to the Consolidated Financial Statements for the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

11. Payables and other credit balances

	2016	2015
Trade payable	77,269	82,724
Due to subcontractors	326,671	232,606
Payables on purchase of investment properties	781,250	781,250
Provision for claims (note 28)	1,438,000	3,160,661
Due to related parties (note 26)	109,904	1,502,216
Accrued dividends	80,148	86,748
Accrued expenses	146,197	147,603
Tax deductions	788,093	760,094
Other credit balances	271,651	280,657
	4,019,183	7,034,559

12. Wakala payable

	2016	2015
Wakala payable from investment funds	2,522,653	2,522,653

12.1 All Wakala payables were matured as at 31 December 2016 and 31 December 2015, but have not been renewed, or paid. The Group had ceased to record the finance costs thereon. There is a legal dispute with all parties of the Wakala contracts on the amounts that should be paid. The Group is currently conducting negotiations for settlement of these Wakala.

12.2 During the previous years, the Parent Company submitted an application to the competent court for protection from the creditors in accordance with Law No. 2 of 2009 "Financial Stability Law" (the Law) and has submitted a Restructuring Plan (the Plan). The General Counsel head of department issued a Judgment accepting the request for restructuring and the resultant Cessation of the civil procedures of litigation and execution. The proposed was registered at the Court of Appeal in corporate restructured Circle and postponed till 4 May 2017 for exchange and review for settlement.

13. Share capital

The authorized, issued and fully paid Parent Company's capital is KD 40,706,523 distributed over 407,065,225 shares with a nominal value of 100 fils each and all shares are in cash.

14. Treasury shares

	2016	2015
Number of shares	17,466,619	17,466,619
Percentage (%)	4.3	4.3
Market value	751,065	602,598

The Parent Company is required to retain reserves and share premium equivalent to the cost of treasury shares throughout the period and not distribute it as long as they are held as per instructions of the relevant regulatory authorities. The pledged and restricted treasury shares are 17,300,000 shares as at 31 December 2016 and 2015.

15. Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distribute able to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent Company and its shareholders.

Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors. There is no transfers to statutory and voluntary reserves as there were accumulated losses.

Notes to the Consolidated Financial Statements for the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. Other reserves

	Employee share options reserve	Group share of associates' reserve	Change in fair value reserve	Total
Balance as at 1 January 2015	490,500	(1,646,237)	-	(1,155,737)
Total comprehensive year for the year	-	1,413,557	-	1,413,557
Balance as at 31 December 2015	490,500	(232,680)	-	257,820
Balance as at 1 January 2016	490,500	(232,680)	-	257,820
Total comprehensive income for the year	-	339,250	278,634	617,884
Balance as at 31 December 2016	490,500	106,570	278,634	875,704

17. Non-controlling interests

	2016	2015
Balance at 1 January	9,780,721	9,703,300
Share from net loss for the year	(619,145)	(70,358)
Other comprehensive income items:		
Share in other comprehensive income items in associate	42,783	151,417
Change in fair value of available for sale investments	4,071	-
	46,854	151,417
Change in non-controlling interests:		
Change in ownership	-	(3,638)
	-	(3,638)
Balance at 31 December	9,208,430	9,780,721

18. Net reversal/ (provided) provisions and impairment

	2016	2015
Net reversal of investments in associates impairment	1,516,129	802,242
Net reversal of provision for doubtful debts	80,167	215,769
Impairment of available for sale investments	(255,831)	(8,851,288)
Net reversal of provision for impairment in investments in Islamic debt instruments	-	1,057,737
Impairment of goodwill	-	(257,600)
Other provisions and expenses	(189,339)	(2,686,893)
	1,151,126	(9,720,033)

19. Gains from settlement of Wakala and payables

Gains from settlement of Wakala and payables include gains amounted to KD 2,152,500 resulted from payment and settlement of debt instruments on behalf of associate with a local financial institution. (Income resulted from settlement of Wakala and payables – 2015).

20. (Losses)/ gains from investments

	2016	2015
(Losses)/ gains from sale of investments at fair value through profit or loss	(135,439)	68
Change in fair value of investments at fair value through profit or loss	(160,750)	(476,047)
Gains from sale of available for sale investments	109,364	3,343,393
Dividends income	20	2,721
	(186,805)	2,870,135

21. Losses from investments in associates

	2016	2015
Group's share in associates' results	(874,913)	(3,602,334)
Gains/ (losses) from trading	343,354	(25,503)
	(531,559)	(3,627,837)

22. Net real estate losses

	2016	2015
Losses from sale of investment properties	232,000	1,040,650
Change in fair value of investment properties	198,000	93,000
Rents from investment properties	(66,650)	(454,261)
	363,350	679,389

23. Other expenses

Other expenses include staff costs of KD 898,661 for the year ended 31 December 2016 (KD 1,154,493 for the year ended 31 December 2015).

24. Earnings / (loss) per share

Earnings / (loss) per share is calculated by dividing net profit /(loss) for the year by the weighted average number of issued and outstanding shares during the year as follows:

	2016	2015
Net profit/ (loss) for the year attributable to shareholders of the Parent Company	1,401,790	(4,809,398)
Weighted average number of issued and outstanding shares during the year	389,598,606	388,889,855
Earnings / (loss) per share (fils)	3.60	(12.37)

25. Investments in subsidiaries

25.1 Group's structure:

Company name	Legal form	Country of incorporation	Activity	Ownership (%) 2016	Ownership (%) 2015
Real Capita and its Subsidiaries	W.L.L	Kuwait	General Trading	99	99
Murgan One Company	W.L.L.	Cayman Island	Real Estate	100	100

Total assets of the subsidiaries amounted to KD 24,636,968 as at 31 December 2016 (KD 28,417,204 as at 31 December 2015), and its net losses KD 1,622,832 for the year ended 31 December 2016 (KD 5,911,379 for the year ended 31 December 2015).

25.2 Details of subsidiaries that not wholly owned by the Group (significant) including significant non-controlling interests:

There is no significant non-controlling interests except in Al-Tatweer Capital Real Estate Company (on subsidiary of Real Capita), minority share is 33.08% in Al-Tatweer Capital Real Estate. The following is summarized financial information of this Company:

	2016	2015
Current assets	15,160,342	10,967,776
Non-current assets	14,188,286	20,199,454
Current liabilities	1,584,440	1,481,757
Equity attributable to owners of the Company	18,550,760	19,819,908
Non-controlling interests	9,213,428	9,865,565

	2016	2015
(Losses)/ revenue	(1,461,491)	702,798
Expenses	(593,141)	(729,323)
Loss attributable to the shareholders of the Parent Company	(1,370,375)	(17,396)
Loss attributable to non-controlling interests	(684,257)	(9,129)
Loss for the year	(2,054,632)	(26,525)
Other comprehensive income attributable to the shareholders of the Parent Company	83,167	288,476
Other comprehensive income attributable to non-controlling interests	41,120	151,399
Other comprehensive income for the year	124,287	439,875
Total other comprehensive (losses)/ income attributable to the Shareholders of the Parent Company	(1,287,208)	271,080
Total other comprehensive (losses)/ income attributable to non-controlling interests	(643,137)	142,270
Total other comprehensive (losses) income for the year	(1,930,345)	413,350
Net cash flows used in from operating activities	(1,388,222)	(1,070,329)
Net cash flows generated from investing activities	3,683,288	429,256
Net increase/ (decrease) in cash and cash equivalents	2,295,066	(641,073)

26. Related parties' transactions

Related parties represent in the Group's shareholders who have representation in the Board of Directors, members of the Board of Directors, senior management, subsidiaries and associates. In the normal course of business and subject to the Group's management approval, there were transactions with related parties during the year except what were disclosed in the other paragraph.

The related parties significant transactions and outstanding balances are as follows:

	2016	2015
Transactions		
Net acquisition/ disposal of investments	-	6,626,287
Gains on disposal of subsidiary	-	2,408
Net reversal of provisions Musharaka and debit balances	-	1,057,737
Key and Executive Management remunerations	29,091	46,446
Settlement of loan on behalf of associate	2,460,000	-
Gains from settlement of Wakala and payables	2,152,500	-

	2016	2015
Balances		
Receivables and other debit balances	4,894,702	358,191
Payables and other credit balances	109,904	1,502,216

- The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 2,314,010 as at 31 December 2016 (KD 1,848,525 as at 31 December 2015) not recorded in the consolidated statement of financial position.
- The Group has provided a joint security against a Murabaha payable granted to a related party of KD 2,116,073 as at 31 December 2016 (KD 2,425,473 as at 31 December 2015). There are legal disputes with respect to those Murabaha and there is a court judgment in a Foreign Court in favor of the creditor, after that the creditor has filed a Lawsuit to execute the above mentioned Judgment in the Kuwaiti Courts and the related party has filed a sub-suit against the creditor, and the Court judged of cancelling the Lawsuit then the related party has filed Commercial Appeal and Court judged of inadmissibility of the Appeal.

All related parties' transactions are subject to the approval of the General Assembly of the shareholders.

27. Board of Directors' proposals

On 4 April 2017, Board of Directors proposed not distribute dividends for the year ended 31 December 2016.

28. Contingent liabilities and contingent assets

Contingent liabilities

- There are legal disputes between the Group and certain portfolio clients regarding liquidation of those parties' accounts amounting to KD 5.6 Million approximately as at 31 December 2016 and 2015. The Court of Cassation issued a Judgment enforcing the Group to pay the due amount in one of the case, in addition there is an Executive Confiscation on certain assets of the Group amounted to KD 9.1 Million approximately as at 31 December 2016 (KD 5.2 Million as at 31 December 2015) in favor to the portfolio clients. The Group's has signed a settlement agreement to settle these obligations against payment of KD 3.5 Million. During the current year, the Group has paid an amount of KD 2.06 Million from the settlement amount and provided the necessary provisions for unpaid amounts.
- There are Lawsuits regarding liquidation of an account filed by one of the purchase creditors of investment properties and the Lawsuit was rejected in the Court of first degree and that the party had filed an Appeal against that Judgment and the Lawsuit was transferred to the Experts. The proceedings were suspended as the Parent Company is subject to the Law of Stability.

Contingent assets

During the period, the Court of Appeal of Abu Dhabi, United Arab Emirates issued a Judgment in one of the existing cases against certain foreign parties in favor of the Group and one of its associates to pay an amount of AED 76 Million approximately in addition to pay delay interests 5% per year. They have filed an Appeal against this Judgment and the Court of Cassation affirmed the Judgment the Court of Appeal's Judgment obligating the litigant to pay the debt. It is currently in process of executing this Judgment.

29. Segment distribution

The Group carries out the majority of its activities two major segments:

- Real estate segment: represents in develop and sell land and properties.
- Investment segment: represents in direct investment and portfolios management and investment funds for third parties.

Analysis of the financial information according to segments for year ended 31 December is as follows:

	Real Estate		Investment		Total	
	2016	2015	2016	2015	2016	2015
Segment losses	(363,350)	(679,389)	(718,364)	(757,702)	(1,081,714)	(1,437,091)
Segment results	(363,350)	(679,389)	(718,364)	(757,702)	(1,081,714)	(1,437,091)
Segment assets	2,613,581	7,749,443	25,453,593	29,000,643	28,067,174	36,750,086
Segment liabilities	1,107,921	1,013,856	4,098,339	5,463,909	5,206,260	6,477,765

	2016	2015
Total segments results	(1,081,714)	(1,437,091)
Other income	237,673	249,179
Gains from settlement of Wakala and payables	2,302,352	8,123,561
Net reversal/ (provided) of provisions and impairment	1,151,126	(9,720,033)
Other expenses	(1,826,792)	(2,095,372)
Net profit/ (loss) for the year	782,645	(4,879,756)
Total segments assets	28,067,174	36,750,086
Cash and cash equivalents	4,190,646	932,456
Receivables and other debit balances	5,999,523	2,121,941
Property and equipment	110,804	129,809
Total assets	38,368,147	39,934,292

Most of assets and liabilities of the Group and its results are located in Kuwait.

30. Off balance sheet items

The Group manages portfolios on behalf of others and investment funds, and does not present the balances of the portfolios and funds in the consolidated statement of financial position. The net assets managed on behalf of others amounted to KD 2,601,323 as at 31 December 2016 (KD 8,063,311 as at 31 December 2015).